



# National Association of Health Underwriters

*America's Benefits Specialists*

August 29, 2006

Patricia A. Maryland, Ph.D.  
Chair, Citizens' Health Care Working Group  
7201 Wisconsin Avenue, Suite 575  
Bethesda, MD 20814

Dear Dr. Maryland:

On behalf of the National Association of Health Underwriters (NAHU), a professional trade association representing more than 20,000 health insurance agents, brokers and employee benefit specialists nationally, I truly appreciate this opportunity to provide comments to the Citizens' Health Care Working Group on your interim recommendations for reform.

Our members service the health insurance policies of millions of Americans, and work on a daily basis to help individuals and employers purchase health insurance coverage. Because our membership is so invested in promoting access to private-sector solutions for health, financial and retirement security for all Americans, we recently held a teleconference for chapter leaders, and a public meeting at our annual convention in San Francisco this June, to discuss your working group's recommendations. Based on those meetings, additional thoughts sent to us by our membership and our association's own policy statements, I offer the following comments on your interim proposals:

**Recommendation 1: Guarantee financial protection against very high health care costs.**

NAHU agrees that financial protection against very high health care costs is critical, but we feel any solution to this problem should work within the existing private health insurance market framework. One way to address unhealthy risks in small-employer groups is through small-employer reinsurance pools.

In a reinsurance pool, when a carrier initially underwrites a case, it cedes unhealthy risks to a state reinsurance pool. This is transparent to the covered individual. If claims exceed a certain level, the reinsurance pool reimburses the carrier for its losses. Reinsurance pools are funded by premiums paid by participating carriers.

Reinsurance pool success has been marginal in terms of their ability to produce cost savings in a given market, largely due to two reasons. First, all but one pool is voluntary.

So some, but not all, carriers in a market participate in the pool. The largest carriers have a lesser need for reinsurance at the same levels, and have their own sources for excess losses. The pools have been small, and the cost of reinsurance passed back to consumers has been greater than it would have been with more participation by more and larger carriers with more risks to cede.

Making reinsurance pools mandatory is not the answer. However, enticing all players in a market to participate in the pool with meaningful federal subsidies would be a different matter. If all carriers participate in the pool, more unhealthy risks are removed from the regular pool, and the cost of coverage goes down. If federal subsidies paid the cost of reinsurance, the reinsurance cost would never trickle back to the cost of coverage.

Some have suggested that reinsurance coverage only be provided to participants in government-sponsored pools. This would create an unlevel playing field, waste unnecessary time while the pools are developed, and create unnecessary bureaucracy on an unproven entity. Any reinsurance subsidy considered should be universal across a market segment, such as all small groups, or not used at all. Otherwise, access to affordable coverage could ultimately be reduced, rather than increased.

In addition to addressing high-risk costs in the group insurance market, NAHU believes that any proposal should also include increased federal grant support for state high-risk health insurance pools. High-risk pools provide an important safety net for people with catastrophic medical conditions who do not have access to employer-based group health insurance, such as early retirees, self-employed individuals and employees of businesses that do not offer health insurance coverage.

In addition, in many states high-risk pools serve as the guaranteed-issue purchasing option for individuals who wish to exercise their federal group-to-individual health insurance portability rights as provided by the federal Health Insurance Portability and Accountability Act of 1996, or as a purchasing option for individuals who are eligible for the 65 percent federal health insurance tax credit provided by the Trade Adjustment Assistance Act of 2002.

The type of coverage available to risk pool members in most states mirrors what is generally available in the traditional private individual health insurance market in the state. Risk-pool consumers are charged more for coverage than the average individual market consumers, which is fair because pool members, by definition, are those who are considered to be medically uninsurable. However, state laws cap risk-pool rates at generally between 125-150 percent of the base individual market rate. High-risk pools are an extremely important market stabilizer for both the individual and small-group markets, and prevent the need to “game the system” to qualify for other sources of guaranteed coverage.

### **Recommendation 2: Support integrated community health networks.**

NAHU agrees that federally-funded community health centers are important safety nets for uninsured and under-insured Americans, particularly in rural areas where access to

other care providers may be limited. We also feel that many private entities provide similar services to the same populations, and that increased public-private partnerships in the area of community health with broader public financial support would be very beneficial. In addition, we agree with your recommendation that “Better communication, both within the community and among communities is essential. The use of tools such as electronic health records is critical, as well.”

**Recommendation 3: Promote efforts to improve quality of care and efficiency.**

NAHU is highly supportive of efforts to improve the quality of health care that Americans receive, and also efforts to reduce waste and inefficiency when such care is being provided. We believe that health care delivery system inefficiencies have had a dramatic impact on the cost of medical care in this country, which has in turn limited access to health care for many Americans. Duplication of procedures and overuse of high-end procedures in situations where they add little value have driven up medical spending unnecessarily, and unnecessary medical treatments and prescriptions are costing the U.S. health care system billions of dollars each year.

The inconsistent focus on quality outcomes when providing treatment is another inefficiency impacting medical costs. Furthermore, preventable mistakes caused by providers of medical care also help account for rising costs. NAHU supports the use of electronic medical records to help unify the health care system, as well as pay-for-performance initiatives to positively impact care outcomes and reduce the number of medical errors. We also agree that increased level of medical care price transparency in the United States is essential. We would like to see these ideas implemented both with federally funded health programs such as Medicare, Medicaid, community health centers, TRICARE and the Veterans’ Health Administration, and also voluntarily within the private sector.

**Recommendation 4: Fundamentally restructure the way that palliative care, hospice care and other end-of-life services are financed and provided, so that people living with advanced incurable conditions have increased access to these services in the environment they choose.**

NAHU agrees that individuals nearing the end of life and their families need support from the health care system to understand their options, make their choices about care delivery known, and have those choices honored. However, we feel that any recommendation made by your working group should also encourage Americans to privately plan for their future long-term care needs and include support for increased public incentives for the purchase of private long-term care insurance.

NAHU believes that consumers should be encouraged to select the long-term care policy of their choice based on complete, specific information. It is our view that premiums paid for tax-qualified long-term care insurance policies should be deductible directly from gross income for federal income tax purposes. Also, employers should be able to offer long-term care insurance policies to their employees under an IRS Section 125 cafeteria program.

Finally, the states, state departments of insurance and the private sector should undertake, in cooperation with the federal government, a program of education to inform the public about the risks of catastrophic long-term care costs, and the limited availability of government resources to pay for these costs. This is particularly important at the present time, considering the first year of the baby boom generation will turn 60 in 2006.

**Recommendation 5: It should be public policy that all Americans have affordable health care.**

NAHU urges Congressional action through private-market initiatives to provide Americans with access to affordable health care. But there is a difference between access to health care services and insurance benefits for such services. As a society, we have a responsibility to see that people receive the health care services they truly need. However, any attempt to provide Americans with universal access to health coverage should preserve the private health insurance market. Other countries have experimented with government-run health care systems, and this has only resulted in high-cost, lower-quality, rationed care. Americans need to be able to access a competitive health insurance marketplace with a wide range of health plan choices.

The public policy components that NAHU believes would be necessary to ensure that all Americans have access to affordable, privately marketed health insurance coverage include:

- The availability of advanceable and refundable federal health insurance tax credits for low-income individuals. This credit should be available to purchase either individual market coverage or coverage through the employer-based health insurance system.
- Expansion of access to consumer-directed health insurance alternatives.
- The development of creative ways to insure high-risk individuals, such as the use of group-market reinsurance pools. This will ensure that coverage for the majority of individuals who are healthy remains affordable.
- The availability of a health care safety net for the lowest-income segments of our population that utilizes the private market wherever possible to provide individuals with high-quality medical options.
- The availability of continued federal funding for individual market high-risk health insurance pools, which provide an important safety net for people with catastrophic medical conditions who do not have access to other health insurance coverage.

NAHU also feels that the working group and Congress should look at state programs with proven track records for success. States often have excellent ideas of their own for increasing access to health care. One of the best is from the state of Oregon. Its innovative program provides subsidies from 50 to 95 percent of the cost of private health insurance coverage through the Family Health Insurance Program. The cost is paid through state appropriations. Coverage can be provided either through an individual or group plan. The statistics on the program are very interesting, and it has been a success. The program has a waiting list due to state budget constraints, which would be alleviated with a federal grant.

Other states could be encouraged to undertake such a program. If a federal tax credit with broad eligibility for low-income individuals passed, states could supplement federal tax dollars with state subsidies, increasing affordability of coverage and reducing the number of uninsured. Such grants could also be used to subsidize high-risk health insurance premiums for low-income individuals, as is already being done by several states. Grants could be directed at those who need help most, depending on the conditions in individual states.

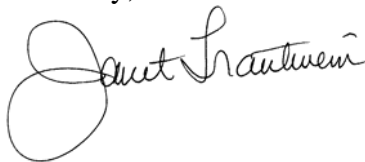
**Recommendation 6: Define a ‘core’ benefit package for all Americans.**

NAHU has grave concerns about the development of a “core benefits package” for all Americans, and we oppose the federal government getting into the health benefit mandating business. Benefit mandates add to the cost of health insurance, as has been demonstrated repeatedly at the state level. There are now over 1,800 benefit mandates in existence, which various studies have shown add as much as 25 percent to the cost of insurance premiums.

In addition, the development of a mandatory package of benefits would limit health plan innovation, both in the area of product design and also in efforts to curb costs. NAHU finds it much preferable to leave health plan design up to market forces so that individuals and businesses are able to choose products that best fit their specific needs.

We hope that you find these comments helpful, and we look forward to working with you as you endeavor to improve our nation’s health care delivery system. If you have any questions, or if our association could be of any further assistance, please do hesitate to contact me or our vice president of policy and state affairs, Jessica Waltman, at 610-972-2404 or [jwaltman@nahu.org](mailto:jwaltman@nahu.org).

Sincerely,

A handwritten signature in cursive script, reading "Janet Trautwein", written in black ink. The signature is positioned to the left of a vertical red line.

Janet Trautwein  
Executive Vice President and CEO